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Valentine, John Joseph

International bimetalism

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International Bimetallism.

A PAPER READ BEFORE THE
California Bankers Association

April 20, 1897

AT ITS

Annual Convention, Held at Los Angeles.

BY
JOHN J. VALENTINE
PRESIDENT OF
WELLS, FARGO & COMPANY
SAN FRANCISCO, CAL.

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THE HICKS & CO.,
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23 FIRST ST., S. F., CAL.

BAR SILVER GOES DOWN.

REACHES THE LOWEST PRICE EVER
KNOWN IN LONDON.

White Bullion Touches the Lowest Point Ever Recorded in Its Long History—Metal in a Standard Dollar Now Worth Only a Fraction More than Forty-five Cents—In the Meantime Wheat Has Been Scoring a Steady Advance.

New York, July 27.—[Special.]—Bar silver made a new low record today. Commercial bars sold as low as 58¼ cents an ounce, as against 58½ cents yesterday's price. Government assay bars were quoted at 58½ cents, which made the value of the silver in a standard silver dollar 45.14 cents.

The silver market continued to have a weak tone at the decline, with an absence of demand noticeable. Cable advices from London represented that silver bullion touched today the lowest point in its history, selling at 267½ pence per ounce, as against 27 pence, its previous low record, touched in March, 1894.

During the break in silver in 1894 wheat sold in New York at 60 cents per bushel, a decline of seven cents since the opening of that year. The bimetallicists made much of this simultaneous decline in wheat and silver. The students of the commercial markets pointed out the fact that the world's wheat crop of 1893 had turned out 71,000,000 bushels larger than the crop of 1892, and that the outlook for 1894 favored an even larger yield. As a matter of fact, the United States alone in 1894 produced 50,000,000 bushels more of wheat than it produced in 1893, while the whole world yielded 50,500,000 bushels more wheat than in 1893, and 121,500,000 more than in 1892. But this did not convince the bimetallicists.

The fall in silver is said to be exciting much interest in London. The impulse seems to come mainly from American selling, but the flatness of Chinese exchange exceeds the extent warranted by the fall in silver. It is believed that heavy interest payments now to be paid by China abroad, together with the full value of their exports, such as teas, partly accounts for it.

The Evening Post today, commenting on the low price of silver and its relation to the wheat market, says editorially:

"These post hoc reasoners are respectfully invited to consider the present movement of the markets. Silver bullion is selling today in London exactly 4¼ pence per ounce below the price of a year ago today; wheat in New York is selling 18½ cents higher than it sold a year ago.

"The student of statistics is as ready now as he was in 1894 to explain the reason for both movements; he will point out that the world's wheat yield of the last season fell nearly 90,000,000 bushels under that of 1895, and that the outlook for this season's harvest, in the world at large, foreshadows no increase, and possibly a further shortage. As for the decline in silver, he needs to point only to the fact that American exports of silver bullion for the twelve months ending June 30, 1897, have increased \$1,400,000 over the same twelve months a year ago, and \$14,600,000 over 1895; this, too, at a moment when the world at large is dispensing rapidly with the use of silver.

"Thus will the statistician reason; but how about the bimetallicist? Does he believe, with the Bryanite oracles of last fall, that a baleful conspiracy exists on the part of the 'money power' to put up wheat only to cheat the farmer? If so, what can be the 'money power's' motive? Bryan has been defeated; the Chicago platform is a wreck. Surely, on any theory, these are curiously benevolent conspirators who are crowding their bounty on the luckless farmer when they no longer have any end to gain by it."

DENVER SHOWS LITTLE INTEREST.

Falling Price of Silver No Longer Interests Colorado Miners, Who Now Seek Gold Only.

Denver, Colo., July 27.—[Special.]—Little interest is taken here in the price of silver for the reason that it is handled only as a byproduct in connection with the production of lead, copper, and gold.

Since '93 the price has not been such as to induce mining, and most of the silver properties have been abandoned, except where they carry sufficient gold to render a profit. Even the Mollie Gibson, with its \$25,000 ore, has not taken out enough to pay a dividend, and the owners are now happy over the fact that the silver ore seems to be exhausted and the rock is highly mineralized with the yellow metal.

Where the chief value is borne in silver there can be no mining at prices that have prevailed for two years, and the industry has been practically neglected in Colorado.

ALMOST A PANIC IN OLD MEXICO.

Fall in Silver Sends Gold to a Higher Premium and Business Is Disarranged.

City of Mexico, July 27.—[Special.]—The continual fall in silver has increased the premium on gold to 118 and 120 per cent, the highest rate ever known in this country.

This condition of the market has caused a panic in business circles and no one is prepared to say where exchange may yet go. European traders who do business on long credits are seriously inconvenienced, as in many cases they have sold their goods and now have to pay for them at a loss.

Local businessmen or Europeans either are in no humor to adopt W. J. Bryan's financial plans.

Mr. Chairman and Members of the

California Bankers Association:

As introductory to my remarks on International Bimetallism and the present monetary situation permit me to quote the Republican Party, in National Convention, assembled at St. Louis, June 17th last, as follows :

"We are unalterably opposed to every measure calculated to debase our currency or impair the credit of our country. We are, therefore, opposed to the free coinage of silver, except by international agreement with the leading commercial nations of the world, which we pledge ourselves to promote, and until such agreement can be obtained the existing gold standard must be preserved. All our silver and paper currency must be maintained at parity with gold, and we favor all measures designed to maintain inviolably the obligations of the United States, and all our money, either coin or paper, at the present standard, the standard of the most enlightened nations of the earth."

On January 20th a well-known English writer on economic subjects wrote me from London :

"Senator Wolcott has just arrived here, and it is said that he has a mission from Mr. McKinley. You may rest perfectly sure that neither the Senator nor anybody else will persuade the English people to have anything to do with bimetallism. The Senator will be received well, personally, because from everything we know of him we believe him to be a gentleman. But he will very soon find out for him-

self that the English Bimetallists are a weak party, who make a great deal of noise but have exceedingly little influence."

And on February 22d a leading banker of Berlin wrote me:

"I met Senator Wolcott a few days ago at dinner, when he told Dr. Koch, the President of the Bank of the Empire, that unless a solution was found for the silver question the next election in the United States would in his judgment undoubtedly go for free silver. Let us hope that this may prove an erroneous party view."

In March the public press reported that

"The House, by a majority of 282 votes, passed the Senate bill authorizing the President to call a conference of foreign authorities to cooperate with the United States in establishing an international ratio in the proportional prices between gold and silver. Meanwhile Senator Wolcott has returned from his delightful trip. He was 'treated like a prince' in England, was 'received with open arms by the economists of Germany,' and actually assured that 'if he could win over England, Germany would then be glad to take the subject up again.'"

To accomplish this task Messrs. Wolcott, Stevenson and Paine have been appointed commissioners.

It is not my purpose to occupy your time and attention with a speculative forecast of the mischievous subtleties and embarrassing intricacies of International Bimetallism as proposed by its advocates, but to offer some of the most studied opinions

and shrewdest judgments of financial experts as to its chances for general adoption. Many of you may know I have treated the subject at some length, from an historic and scientific standpoint, in a collection of papers published during the recent Presidential campaign, reaching the conclusion that the theory of bimetallism is in itself unscientific and unsound, and that the hope of procuring concerted action among the leading nations of the world for its international application is doomed to failure. With the facts confronting us the appointment, by the United States Government, of commissioners to visit Europe in the interest of an International Convention and for the purpose of evangelizing the conservative powers of Europe to the doctrine of International Bimetallism, on the basis of the unlimited free coinage of both metals, is a sheer waste of time and money. And no time should be lost in reforming the monetary agglomeration of these United States. To call the make-shift, patch-quilt currency that has disturbed this country for more than thirty years a "financial system" is a misuse of descriptive terms.

It may be alleged in excuse for the renewed agitation of the silver question that good faith on the part of the present national administration to its platform pledges required the appointment of commissioners to confer directly with the scattered advocates of International Bimetallism in Europe, but the most cursory knowledge as to the steps which have in the

past forty years led all the commercial nations of Europe in turn to adopt the gold standard should convince every reflective person of the utter impracticability, not to say impossibility, of securing their co-operation in an effort to undo the work so laboriously accomplished, and enter into an agreement for the unlimited free coinage of silver. The action of Europe in adopting the gold standard was not precipitate; the discussion really began with the gold discoveries in California and Australia, about the fifties, became general by 1857, and the International Convention in Paris, 1867, thirty years ago, determined the question. This Convention was composed of the most eminent and intelligent financiers and economists of twenty governments represented, and their conclusions were only reached after giving the subject the most thorough consideration. From that day to this the opinion of the economical, financial and commercial world has clarified itself in favor of the gold standard. There is not the slightest probability of Great Britain or the European powers seriously considering International Bimetallism, and for this country to say that a ratio of sixteen parts of silver to one of gold is a divinely and irrevocably fixed relation would simply be to make ourselves the laughing stock of intelligent people throughout the world. As Mr. Tirard substantially said in the Brussels Conference in 1892, "they can hold conventions, deliver lectures, and orate, but what power has indicated any intentions to agree to the free coinage

of silver? Not one; and it would be folly to do so." And I will add it is all moonshine. The quicker this country is made acquainted with the real facts affecting this subject the better it will be for all concerned.

I am not unconscious that "monetary science is a vast subject, and a little unsteadiness of nerve may be pardoned when one is navigating, what Petty called two centuries ago, the deep ocean of all the mysteries concerning money; when one is dealing with such a subject, which can well be pictured as a morass of problems, intersected by a few safe paths, easy to walk on, but also easy to stray from."

Within a period of say five minutes, I have summarized my own views upon this momentous question, but these may be deemed simply opinions, therefore I wish to submit evidence. I now quote from Professor Francis A. Walker's "International Bimetallism":

"In 1696 the urgency of the monetary situation of Great Britain combined with the influence and authority of statesmen and philosophers to secure the general recoinage of silver, both according to the ancient right standard, and at the public expense. The debate on these two points had been carried on with remarkable power. Never before in England had such able men taken part in the discussion of monetary problems. Lowndes, Secretary of the Treasury, appeared as the champion of the scheme to put out the new coin at something like an average of the existing coins. He proposed to coin the pound

of standard silver into seventy-seven shillings in place of sixty-two, effecting thus a reduction of nearly one quarter. He argued that the debasement had been long in progress, that prices had adapted themselves, however painfully and inadequately, to the state of the coin, that contracts for goods, for rents, for interest, had been based on existing prices, and that an abrupt return to the former measure would work injustice to debtors, and would occasion an unnecessary disturbance to production and trade. John Locke stood forth as the champion of the 'ancient right standard,' a standard of intrinsic equivalency—indisputable face value. Said Mr. Locke:

"The multiplying arbitrary denominations will no more supply nor in any ways make our scarcity of coin commensurate to the need there is of it than if the cloth which was provided for clothing the army, falling short, one should hope to make it commensurate to that need there is of it by measuring it by a yard one foot shorter than the standard, or changing the standard of a yard, and so getting the full denominations of yards necessary according to the present measure. For this is all that will be done by raising our coin as is proposed. All that it amounts to is no more than this, viz.: that each piece, and consequently our whole stock of money, should be measured and denominated by a penny one-fifth less than the standard.

"The increase of denomination does or can do nothing in the case for it is metal by its quantity and not denomination that is the price of things and measure of commerce; and it is the weight of metal in it,

and not the name of the pieces, that men estimate commodities by and exchange them for.

"If this be not so, when the necessity of our affairs abroad or ill-husbandry at home has carried away half our treasure and a moiety of our money is gone out of England it is but to issue a proclamation that a penny shall go for twopence, sixpence for a shilling, half a crown for a crown, etc., and immediately, without any more ado, we are as rich as before; and, when half the remainder is gone, it is but doing the same thing again, and raising the denomination anew, and we are where we were, and so on."

[I have hitherto used the foregoing extract from Locke because it is the foundation of sound money.]

"Of the writings of the great philosopher on this occasion, Macaulay remarks: 'It may well be doubted whether in any of his writings, even in those ingenious and deeply meditated chapters on language, which form, perhaps, the most valuable part of his *Essays on the Human Understanding*, the force of his mind appears more conspicuously.' The highly honorable decision to maintain the standard—inviolated—introduced another question which has not been of equal philosophical interest, but which was of immense practical importance. Who should bear the loss? In the coinage of 1559, in Queen Elizabeth's time, the loss from abrasion, clipping, and sweating had been thrown upon the innocent actual holders of the coin, and government had even realized some profit by the transaction. In the recoinage of King William, under Locke, the treasury assumed the cost, which was clearly just, since the money had been worn during the public use. The expense of

the great work was nearly three millions sterling. When it is remembered that this was one and a half times the ordinary revenue of the kingdom, the magnitude of the undertaking will be appreciated."

Edmund Burke said that "Great men are the guide-posts and marks in the State." The history of the ancient right standard of money constitutes an imperishable memorial to the conscience and genius of John Locke, and an unerring guide-post of the ages, pointing out the right road to sound finance.

And now to come more closely to the text of this paper. Said Walter Bagehot, in December, 1876:

"We have written much this year on the subject of silver, but we have hardly referred to the scheme which some persons think would set right everything—the scheme of universal bimetalism. But the truth is that we regard that scheme as so entirely beyond the boundaries of practical finance that we did not think it worth discussing, and we only discuss it now because we continue to receive ingenious pamphlets, some of them written by men of business, which maintain that it is both practicable and advisable. We shall therefore state as shortly as possible our reasons for thinking it is neither.

"The plan is, that by means of an 'international conference' or otherwise, all nations should agree to use both gold and silver as legal tender for all amounts, and to use them in the same proportions, which it is said would cure any evils which now arise from changes in the relative value of gold and silver and in the cost of production of both or either of them. But any such attempt would be such an

alteration in the monetary system of most countries that it would be difficult to get most of them to take it into consideration, and impossible to induce many of them to agree to it. England, for example, has a currency resting solely on the gold standard; it suits her, and is most closely united to her mercantile and banking habits. What motive is there that would induce her to alter it? You cannot even begin an argument which would seem to have a sufficiently striking sound. And the effect of the bimetallic system, if universal, would be to fill the world with the cheaper metal only. But this, and other characteristics, whether for good or evil, which may belong to universal bimetalism, are in our judgment scarcely worth considering; they seem to us fit only for theoretical books, because the plan is only a theory on paper and will never be in practice tried."

Thus much from Mr. Bagehot.

One of the favorite arguments of silver enthusiasts, exploited right and left, has been Professor Stanley Jevon's reservoir illustration of Wolloski's common pool theory of international bimetalism. In former years I had thought it a curious feature of the seemingly plausible illustration of an inherently fallacious economic principle that a writer of Professor Jevon's analytical turn of mind should not have perceived the inapplicability of his mechanical device—the equalizing reservoirs—to a principle of economic law. It was my impression that he ought to have seen that no common faucet, or, as Forssell of Sweden has called it, no common bung-hole, would

satisfy the demand upon either of these reservoirs, had he considered that they were not only subject to independent variations of supply and demand, but that they might contain liquids entirely different in nature, as, for example, molasses and petroleum, each of which is used for many different purposes that the other could not serve. The principle involved is one of economic law and cannot be illustrated by the mere statement of a well-known fact in physics that water will seek its own level. However, Professor Jevon modified his views, for in chapter twelve of his "Investigations in Currency and Finance," published in 1884, he says:

"The notion of M. Cernuschi that there might be a congress of nations, and that the leading commercial States might be induced to unite in adopting bimetallic money is chimerical. Several of the more important European nations have for the present no hopes of using coin, whether gold or silver. Germany is only now establishing an excellent currency on a gold basis, and is most unlikely to abandon it without further trial. The Scandinavian kingdoms have no reason for retracing their late adoption of gold, which has done no harm. Even France, which has still the law of the double standard in nominal existence, shows no desire to put it into operation again, having experienced the trouble of an alternating standard and a heavy silver currency.

"As to England, there is not the most remote chance that the proposal would be accepted or even entertained here. The present English system of metallic money has now existed almost unchanged

since 1816, and it has worked so satisfactorily in most respects that it would require very strong reasons for making a fundamental change. Even were there a considerable weight of evidence in favor of the double standard it would probably be found impossible to persuade the House of Commons to accept it. In nothing is the English nation so conservative as in matter of currency. . . .

"If the United States were to adopt the double standard they would throw into confusion the monetary relations of the foremost commercial nations, while the universal bimetalism essential to the success of M. Cernuschi's schemes would be as far distant as ever. If, indeed, the adopted legal ratio of gold and silver were such as to enable gold to circulate in the United States, then no effect on the value of silver would be produced, and all discussions would end in nothing. If the legal ratio were 15½ to 1, as proposed, then full weight gold coins could not circulate, and the currency and the standard of value would consist of silver only. American trade would be hampered by a money fifteen and a half times as heavy as it need be. Americans would be loading themselves with silver fetters, and for what purpose? In order that the rest of the world might enjoy the superior convenience of gold money. While other advanced nations are passing, one after another, from the silver age of currency to the golden age, America, and probably America alone, would be stepping back from the gold age into the silver age. This seems to me about as wise as if the men of the bronze age had solemnly decided to reject bronze, and to go back into the stone age. In a matter of this sort we must take account of general and long-

continued tendencies, and the tendency now appears to be inevitably toward the general adoption of gold as the standard money. . . .

"If America could establish the double standard and succeed in inducing other nations to do so likewise, the advantages of so great and so difficult a measure are of a very speculative and doubtful kind. I quite concede to Messrs. Wollowski and Cernuschi that the bimetallic system does spread fluctuations of supply and demand over a wider area. I have tried to explain in my book on 'Money and the Mechanism of Exchange,' published in 1875, that gold and silver, free from the action of a legal ratio, are like two unconnected reservoirs of water, each liable to be raised and lowered in level by various accidents. Establish a communication between these reservoirs and then each new supply spreads itself over a double area, and each new demand is supplied with less effect upon the general level. The legal currency ratio of $15\frac{1}{2}$ to 1 actually does establish a communication of this sort between the reservoirs of gold and silver in the world, but it does not therefore follow that it is desirable to establish the communication. . . .

"My principal purpose is accomplished if I have adequately expressed the strength of my conviction that, in trying to establish bimetallic money, the American nation would be setting themselves against irresistible natural tendencies so as to insure defeat. For the sake of making those richer who are rich already they would be loading themselves with heavy metal, which, if it is to be abundant, had better be left to other uses or to those Eastern nations who are too poor and ignorant to employ gold. It is

the general rule in commerce to take care of 'number one,' but in the bimetallic scheme the rule is reversed, and 'number one' is asked to carry silver coin in order to benefit 'number two' and 'number three.'" Thus much from Professor Jevons.

Mr. Henry D. MacLeod, in his "Bimetallism," says:

"The assertion of the bimetallists, upon which their whole case rests, that it is possible to regulate the value of gold and silver by international agreement is flatly contradicted by

"1. The history of bimetallism in every country.

"2. The unanimous arguments of Oresme, Copernicus, Gresham, Petty, Locke, Harris, Steuart, Lord Liverpool, the Government of India, the British Government, and hosts of other experienced persons who had the consequences of bimetallism before their eyes.

"3. After attempting to maintain bimetallism for centuries every State in Europe has found itself forced to abandon it as impracticable and injurious."

In Mr. Thomas Lloyd's "Bimetallism Examined" we find:

"Practically silver has ceased to be a standard of value throughout the civilized world, and this has simply and solely been in consequence of a slow change in the opinion of the world. The bimetallists deny that the world has changed its opinion in the manner here stated. They allege that the whole change has been made by the governments, and not by the people. If bimetallists mean by this

that the great body of the people have not troubled their heads about the matter, I am not inclined to dispute the statement. But if they mean that the governments acted on their own initiative, and not because of the impulse given by the commercial classes, then I entirely disagree with them. Governments, however meddlesome in other matters, are always very careful how they interfere in business arrangements, and especially in monetary arrangements, and they do interfere finally only because they are compelled to do so by the pressure of the classes specially interested.

"The fact remains that one civilized country after another has demonetized silver and adopted the gold standard, and there is no answer to that. This is the real and conclusive argument against the bimetalists. For over a century the world has been moving, country by country, steadily in one direction, and it is useless to talk of turning it back. Opinion has settled the matter, and opinion is sovereign, not only in matters of policy, but in matters of economy also. If the bimetalists choose to say that opinion is wrong, that the world is ill-advised, that the whole movement has been a mistake, they, of course, have a perfect right to their view of the matter. But they do not alter the facts, and they cannot alter the facts by any amount of preaching.

"It is impossible, by any arrangement whatsoever, to maintain indefinitely a fixed ratio of value between any two commodities, let them be metals, or let them be what you please. And it is noteworthy that no speaker in the Brussels' Bimetallic Conference of 1892 ventured to offer any detailed scheme showing how the idea could be carried out. No one

ventured, either, to take a vote on the ratio to be fixed.

"The real scientific opinion of England is against bimetalism, and will continue to be opposed to it. Further, it seems incredible that Germany, Austria-Hungary and Russia will throw away the fruits of their sacrifices and all their efforts to get together a great gold reserve. No country could bind itself forever-and-a-day to maintain bimetalism. And if the Union were to be formed, and were to be compulsory only for a few years, is it reasonable to suppose that bankers would accept depreciated silver instead of the appreciated gold to which they are entitled?

"If every great nation in the world were to enter into a bimetallic convention for a definite number of years, bankers in the great commercial centers, and especially the bankers of London, would refuse to accept silver and hold it in their reserves, and the convention would break down as certainly as the Sherman experiment failed in the United States.

"Bimetalists insist that if England will lead the way all the other countries will immediately follow: bimetalists will not see that, even if the Governments could be persuaded, there would still be the bankers to deal with, that bimetalism could be adopted only for a definite number of years, that therefore the danger would remain that it might come to an end by and by, and as long as a fear of that kind existed people would cling more tenaciously than ever to their gold contracts. From every point of view, then, bimetalism is impossible. It could not be made to work if adopted. It will not be adopted because the governments cannot be persuaded to fall in with it, and if the governments

could be persuaded it would be rejected by the bankers, and still more decisively would it be rejected by investors.

"We have to accept accomplished facts, and it is an accomplished fact that opinion has pronounced decisively against silver and for gold. And it must never be forgotten that in matters economic, opinion is as supreme as in matters political.

"The only argument bimetallists have is reference to the Latin Union, viz.: French bimetallism, which lasted barely seventy years—1803 to 1873, when it utterly broke down, and free coinage had to be suspended. The ratio between gold and silver was not strictly maintained, and the bimetallic system did not prevent wide variations. What it really did was to facilitate the transition from one monetary system to another. Bimetallism, in its very nature, is a temporary makeshift which is useful in a transition period, but which must inevitably break down when a certain evolution has been accomplished.

"Evidence given by N. M. Rothschild, Esq., before the Committee on the Bank of England Charter, July 24, 1832: 'Question: Does the demand for gold from France produce a scarcity of money in France? Answer: No. Question: Why is that? Answer: Because gold is generally in private hands; it is merchandise there.'

"Up to 1848 bimetallism was not operative in France, gold was not in circulation; it was mere merchandise, held only by private individuals. So French bimetallism was never operative. Up to 1848 France was a silver-using country; afterwards it became gold using. A conclusive proof

that bimetallism was quite ineffectual is afforded by the fact that the instant Germany demonetized and proceeded to sell her silver French bimetallism broke down. Both in the United States and in India we have had lessons as to how tampering with the currency may injure the prosperity of great countries. What happened in the United States would happen in Europe if bimetallism were adopted. The banks would refuse to hold silver in their reserves; silver coin consequently could not be forced into circulation, and, that being so, I ask once more how the bimetallists propose that the value of silver should be raised if universal bimetallism was adopted? If the value of gold under a bimetallic arrangement were not greatly reduced the condition of all the world would be similar to the condition of the Latin Union and the United States. Gold would practically remain the standard of value, and silver would be a subsidiary money, no matter what hocus-pocus were applied. How, then, would the bimetallists lower materially the value of gold? The Constitution of the United States expressly declares the freedom of contract inviolable. Therefore if the United States is to be a party to bimetallism freedom of contract in the fullest sense must be maintained. Consequently all the existing contracts for payment in gold would remain valid and enforceable, and every one would be free in the future to enter into similar contracts. The truth of the matter is that the bimetallists have never thought out the subject at all. They have taken up the extraordinary notion that opening of the mints provides a market." [If it provided anything it would be warehouses for storing the unused metal.]

Thus much from Mr. Lloyd.

Professor Taussig in his "Silver Situation in the United States," says:

"Distinguished economists have urged international agreements for the wider use of silver, and have deprecated independent action by any one nation. But the more thorough-going advocates of free silver in the United States say, certainly with much force, that an international agreement has proved to be simply impracticable, and that if the wider use of silver is to be deferred until there is concerted action by the great nations, it will never come, and certainly it is true that the scheme for International Bimetallism has practically no prospect of adoption."

Thus much from Professor Taussig.

I shall now apply extracts from Horton's "Silver in Europe":

"If submitting these remarks shall arouse a sense of the realities of the struggle in progress, then at least it can be said of these disjointed pages that, though the road be a rough one, still, as the French idiom has it, 'we arrive.' Let me mark here, points which it may prove peculiarly useful to dwell upon at this juncture, when the air is full of talk of an international conference. Europeans will never agree to the free coinage of silver merely because Americans wish them to do so: an international conference having, as such, no original power to establish a coinage system.

"The opposition to the silver movement is usually painted in deceptive colors. The language of eloquence and of passion before many a constitu-

ency has presented an indictment against the originators of the anti-silver laws of Europe, and against its apologists to-day, as well as against the partisans of gold in this country—an indictment for conspiracy against the rest of mankind. This untenable indictment is a great compliment to the foresight and power of organization of the supporters of the gold standard.

"Of course special interests, and short views about them, affect opinion, and naturally they have played their part here. In a broad sense anti-silver legislation was adopted to satisfy opinion based upon avowed and legitimate interests represented in public. Everywhere, in every country, those learned in monetary matters were avowed inspirers of the movement against silver, believing that they were right.

"It was upon the incitation, and with the approval of an overwhelming majority of the learned of all nations that the anti-silver statutes and decrees in divers nations became fact. Americans must take to heart that for this general policy the United States has its share of responsibility, for in 1867 the influence of the American Union in the family of nations was militant in Paris, aiding and abetting the anti-silver movements then organizing. And all was done with the best intentions, and under the advice of counsel recognized as learned in the law.

"These anti-silver laws, whose effects we have been called upon to consider were not adopted without deliberation. The advice of counsel was taken, men of action submitted to men of thought, and the advising counsel were the learned of a generation. It was the general consensus of the learned opinion

of the time which these laws were intended to reflect. The republic of monetary learning—an imperium in imperiis, an economic church which respects no national boundaries—was unanimous. It believed in the unification of money—in security of valuations, in simplification of the means of exchange, in facilitating international trade and investment—an aim nobly in unison with the progressive spirit of an age whose glory it is already to have made giant strides in this direction, by putting nature's forces in harness, as well as by cultivating the faculties of men. This was the aim, the object, the end. What could be more worthy?"

Thus much from Mr. Horton.

Again quoting Walter Bagehot, November 14, 1868, he said:

"A universal currency must be founded on a single standard, not on a double. A contract to pay a sum of money shall be satisfied only by the payment of a specified portion of one known metal; if gold, by so much gold, if silver, then by so much silver. Under the contrary system, that of a so-called double standard, the contract may be satisfied in two ways; the debtor has an alternative—he may pay either so much gold or so much silver as he likes, and therefore there are two chances for depreciation. Whichever metal declines in value the debtor is sure to select, and that metal so impaired the creditor must receive. A kind of mist floats over some minds; they fancy that by using a currency of two metals they evade the danger of depreciation of either, but they really risk the depreciation of

BOTH; the impaired will always be preferred because it IS impaired, because it is cheaper.

"A new coinage to suit present commerce must have a high GOLD UNIT. Silver is the characteristic currency of early nations and poor nations; by comparison it is plentiful, and therefore cheap; the small amounts which early trade required were best paid in it, and therefore it was used. But now large transactions require a DEAR paying medium; the more costly the unit, the fewer the pieces to be counted and the easier the use of the currency."

Bear in mind that just previous to this brief extract from Mr. Bagehot I have been applying the words of the ablest American bimetalist, Mr. S. Dana Horton, and he says:

"In fairness I may confess that the keynote of what I have been saying was given me by one of the highest names in the camp of the opposition and in the literature of money, for Michel Chevalier is among the prophets for all who have a monetary faith. During the Monetary Conference of 1878, Michel Chevalier, speaking of the subject of the Conference, said words which remain and always will remain in my memory: "*You will never succeed in converting England.*"

Thus much from Mr. Horton.

Now I wish to add to this that the array of French economists and financiers opposed to international bimetalism is larger than that of Great Britain: Chevalier, Levasseur, Frederick Passy, Fournier de Flaix, Duy Pynode, Clement Juglar,

Mannequin, Cochut, the Messrs. Coste, Baisse, Parieu, Permez, D'Avenal, the two Sais, Leon and J. B., Tirard, Beaulieu, des Essars, and others; in fact every French economist of national repute of this generation.

Now a word as to the amount of silver that can be got into circulation, and I call your especial attention to the admission of Mr. Geo. J. Goshen, Chancellor of the British Exchequer, and Mr. Dana Horton, one of the United States' Commissioners to the Silver Congress of 1878, of the lack of power of a government in such matters. The ability of a country to "absorb" silver is the burden of the song of some of the silver sirens. A few facts, particularly as to experiences, especially of the United States of America, in "absorbing" silver may be not only interesting but instructive. To listen to the clamor of silver advocates one would not only suppose there is a universal desire for more silver, but that the people are weeping and wailing for it.

Mr. Goshen said:

"I know there is considerable stir and anxiety upon the part of other countries. I know there is considerable desire for a conference. I am anxious for the increased use of silver, and, personally—I am speaking without communication with my colleagues of the Bank of England on the subject—I have been always anxious to see the use of silver extended as far as it could be done compatibly with our general arrangements.

"Now I want you to understand this—probably you do understand it, but I want the public to do so—that *the Government, as a government, has no power to force any particular kind of circulation on the country.* The letters I have received about the supply of silver, for example, have been innumerable. 'Why don't you let us have more silver?' Good heavens, I wish every one would take as much silver as possible, considering the enormous profit the Exchequer makes by it. We have untold sums at the Bank of England and at the Mint waiting to be circulated, anxious to travel, but they are not invited. I do not know who the persons are who do not extend the invitation to these silver coins to pay a visit to the country, but at all events *some of those who spread the circulation of the country—all of them—have got far more power to determine what circulation there shall be in the country than the Government.*"

Thus much from Mr. Goshen.

Says Mr. Dana Horton, in his "Silver in Europe":

"The people of the United States do not take to the silver dollar very kindly. They do not seem to want more than one apiece, per capita, for their pockets, their tills, and their strong-boxes. They persist in 'treating silver as a commodity.' However inconvenient this fact may be, it can only be dealt with as a fact. It is futile to try to explain it away. The fact is fact. Silver certificates are not silver dollars, and can no more be made into silver dollars than orange-peel water can be made into wine by stress of imagination. Silver dollars have been within reach for eleven years (Mr. Horton was writing in 1889); halves and quarters have been

within reach still longer. Yet there are twenty-two million of dollars of silver change that have been losing interest for many years as a 'dead asset' in the Treasury. I have never heard that the Treasury has interposed any obstacles in the way of a demand for silver dollars, as compared with other current money. We must accept the books of the Treasury as a record of the people's will. In the last four years there have been about sixty millions of silver dollars in the hands of the people. I know of no indication that a change of habit is to enlarge the use of them."

Thus much from Mr. Horton.

In the summer of 1892 the United States Senate asked the Director of the Mint what was the number of standard silver dollars then in circulation, and the answer was, 56,779,484. The Senate further asked what was the number of standard silver dollars then in the Treasury. The answer was, 357,189,251. Thus in the fourteen years immediately following the passage of the Bland-Allison Act barely one-seventh of the legal tender dollars coined under that Act had been got into circulation, in spite of all the efforts of the Government of the United States of America.

Professor Taussig, writing in 1893, said:

"The Government has made every effort to get the silver dollar coins out of its hands. Congress has annually appropriated a sum to enable the Treasury Department to ship them, free of expense, to all applicants in any part of the United States. The premium so offered to persons who have occasion

to use money in small denominations, and especially to employers having large pay-rolls, has sometimes led to considerable call for them. But the great bulk of the coins thus got out of the Treasury return to it almost at once. The employees to whom they are paid get rid of them as fast as they make purchases; the shopkeepers in whose tills they accumulate, finding their customers averse to taking them in change, turn them into the banks on deposit and the banks finally turn them into the nearest sub-treasury in payment of public dues. The round trip from Treasury back to Treasury is easily made in some districts in the course of a single week."

Now let us consider the situation since 1893:

Date.	Population.	Silver Dollars in Circulation.	Per Capita.
November 1, 1893	67,426,000	58,725,818	0.87
November 1, 1894	68,887,000	56,443,070	0.82
November 1, 1895	70,378,000	58,354,092	0.83
November 1, 1896	71,902,000	58,190,802	0.81
March 1, 1897	72,418,800	55,378,762	0.76
April 1, 1897	72,547,000	54,507,819	0.75

The facts cited constitute a striking example of the truth that the quantity of metallic money that can be put into circulation is limited, and it is also a fact that the 360,000,000 of silver dollars piled up in the U. S. Treasury have really no more monetary efficiency than coal or iron.

The largest number of silver dollars in circulation in the United States at any given time was November 1, 1890, viz.: 65,709,564, at which date the population was estimated at 63,200,000, which would give a per capita of silver dollars in circulation of \$1.04.

Senator Wolcott is quoted herein as alleging that if a solution is not found for the question of International Bimetallism the next election in the United States will go for free silver. In view of all the facts this reminds me of an amusing example in the grammar, in use when I was a boy, of the misuse of words: "A man upon falling into a slough cried lustily: "I will drown! nobody shall help me!" You, gentlemen of the Convention, can make your own application.

Now, then, a few concluding remarks as to our duty:

Every unjust or unwise measure that receives consideration at the hands of our legislators ought to be stoutly opposed. To permit such measures to become law without an intelligent and vigorous protest must suggest to the legislators a state of indifference to or contempt of their action on the part of those affected thereby, and an impression of either kind once made upon their minds is sure to be fruitful of mischief sooner or later.

In an admirable pamphlet by Mr. Lewis Hancock, an Austin, Texas, banker, published last year, he set forth pertinently the importance of the banking interest, speaking out boldly and unreservedly regarding the monetary affairs of the country, as follows:

"I do not say that it is our duty as bankers to take up the *burden* of the fray. We, as bankers, are no more interested in this struggle than the merchants, the farmers, and the laborers. *But as citi-*

zens of a great and prosperous country we are all vitally interested."

You all know how candidly I expressed myself throughout the last year's campaign upon questions affecting the public interest. My experience has taught me that the average member of a legislative body, same as other men, likes to have the respect shown him which is due to an intelligent, reasonable citizen, and will take kindly to suggestions regarding things he is expected to deal with in his representative capacity. I have found after forty odd years of active business that the average legislator is amenable to truth and reason; that you can convince him with arguments founded upon honesty and fairness. Hence, as aforesaid, I do not believe in letting any unjust measures become law without sturdy opposition—that will leave law-makers no pretext for inferring indifference or contempt. Neither of these dispositions in regard to any matter affecting public interest is proper or just, or respectful to them or to the people who chose them as their representatives. Yet this respectful attitude of mind is not easy of attainment when one remembers that of nearly three hundred Congressmen who recently voted on this question only three had the courage and candor to point out the futility and dishonesty of the whole delusive scheme of International Bimetallism.

If Congress would go to work and reconstruct on scientific principles our monetary agglomeration—

for I repeat it cannot be called a system—definitely affirm the payment of all obligations on the basis of the gold standard, retire the greenbacks, and let banks, under proper restrictions and safeguards, issue circulating notes, such action would go a long way toward renewed industrial and commercial activity. If the present administration and Congress do not act courageously, intelligently and definitely—but permit things to drift—the fiatists will not be slow to take advantage of the situation. Congress and the Administration cannot escape responsibility. They may as well prepare, and promptly prepare, to meet “the wild and many weaponed throng” of silver inflationists who are marching behind the tattered stalking-horse of International Bimetallism.

The Bankers Association constitutes a vanguard in the march of progress. Let not the national escutcheon of a proud and noble people be smirched or soiled by the indelible blot of repudiation. See to it that the citadel of civic liberty and national honor is ever held by the legions unswerving in fidelity to the supremacy of law and order, and that from its ramparts are kept floating the banner, unsullied and invincible, of the ancient-right standard, a standard of intrinsic equivalency.

“Nor heed the shaft too surely cast,
The foul and hissing bolt of scorn;
For with thy side shall dwell, at last,
The victory of endurance born.”

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TITLE**